

May 2003



North Dakota REV-E-NEWS

**From Pam Sharp, Interim Director
Office of Management and Budget
600 E. Blvd. Ave. , Dept 110 - Bismarck, ND 58505-0400**

Although the national economy continues to struggle, the economy is expected to soon stabilize in the wake of the Iraq war. During the last six months, real gross domestic product (GDP) growth increased at an annualized rate of 1.5 percent, less than half of the economy's growth potential. Nationwide, payrolls are down by over two million jobs since peaking two years ago.

However, there are reasons to be optimistic that conditions will soon improve. Investor, business and consumer confidence has rallied since the end of the war in Iraq. Stock prices are up about 15 percent from the low in mid-March with the largest price gains occurring in stocks of technology and cyclically sensitive companies.

Business confidence is also rebounding. According to *Economy.com's* business confidence index, sentiment has more than doubled since its low point in mid-March, and is now close to where it was at the beginning of the year. Consumers are also feeling better. Surveys indicate that consumer attitudes have revived since the end of the war. While consumer confidence is still somewhat

fragile, it is considerably better than it was a few weeks ago.

Although one of the most pressing weights on the economy has been the substantial over-capacity in information technology, investment in information technology is now poised to rebound as a result of mounting replacement demand due to the rapid rate of technological change.

In North Dakota, non-farm employment in March was up 2,150 from a year ago with health services accounting for the largest gain. North Dakota's unemployment rate remains one of the lowest in the nation. The unemployment rate in March was 4.7 percent while the national unemployment rate was 5.8 percent in March.

Although revenue collections are \$2.6 million below forecast with two months left in the biennium, some of that shortfall is due to timing and is expected to rebound within the next two months. On a very positive note - sales tax collections and motor vehicle excise tax collections have been strong, which is a good indication of a sound economy.

Oil Activity

North Dakota has 13 rigs drilling compared to 12 last year at this time. The current price of oil is in the range of \$23.80 per barrel.



Comments or Questions???

Call
Pam Sharp, Interim Director
Phone: 701-328-4904
Fax : 701-328-3230
E-mail : sfranklin@state.nd.us

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www.discovernd.com

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to March 2003 Legislative Forecast
2001-03 BIENNIUM
April 2003

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	March 2003 Forecast	Actual	Variance	Percent	March 2003 Forecast	Actual	Variance	Percent
Sales Tax	23,291,000	23,463,419	172,419	0.7%	583,611,672	583,435,257	(176,415)	0.0%
Motor Vehicle Excise Tax	4,640,000	5,142,472	502,472	10.8%	109,833,068	108,942,046	(891,022)	-0.8%
Individual Income Tax	48,918,000	47,208,177	(1,709,823)	-3.5%	373,534,035	371,800,081	(1,733,954)	-0.5%
Corporate Income Tax	11,056,000	9,895,263	(1,160,737)	-10.5%	77,866,786	77,710,010	(156,776)	-0.2%
Insurance Premium Tax	125,000	177,720	52,720	42.2%	43,647,621	42,634,774	(1,012,847)	-2.3%
Financial Institutions Tax	1,118,000	2,114,023	996,023	89.1%	5,180,000	6,188,851	1,008,851	19.5%
Oil & Gas Production Tax	1,378,562	1,272,552	(106,010)	-7.7%	39,159,000	39,856,219	697,219	1.8%
Gaming Tax	800,000	1,178,533	378,533	47.3%	24,794,093	25,073,526	279,433	1.1%
Interest Income	138,000	47,166	(90,834)	-65.8%	6,918,737	6,656,409	(262,328)	-3.8%
Oil Extraction Tax	1,615,433	1,363,343	(252,090)	-15.6%	22,841,000	22,143,781	(697,219)	-3.1%
Cigarette & Tobacco Tax	1,496,000	1,116,707	(379,293)	-25.4%	36,400,439	36,020,551	(379,888)	-1.0%
Departmental Collections	1,000,000	1,160,963	160,963	16.1%	54,161,414	54,416,564	255,150	0.5%
Wholesale Liquor Tax	444,000	442,247	(1,753)	-0.4%	10,166,434	10,163,558	(2,876)	0.0%
Coal Conversion Tax	2,080,000	2,176,491	96,491	4.6%	42,805,793	43,028,250	222,457	0.5%
Mineral Leasing Fees	400,000	411,007	11,007	2.8%	5,904,468	6,106,569	202,101	3.4%
Bank of North Dakota-Transfer					45,000,000	45,000,000		0.0%
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer	170,424	170,424		0.0%	1,363,392	1,363,392	-	0.0%
Other Transfers		322	322	100.0%	18,818,379	18,818,706	327	0.0%
Total Revenues and Transfers	98,670,419	97,340,829	(1,329,590)	-1.3%	1,502,006,331	1,499,358,544	(2,647,787)	-0.2%

* Oil and gas production and oil extraction tax collections totaled \$4,140,010 in April. Only \$2.6 million is included in April revenues because total oil and gas tax collections reach the statutory cap of \$62.0 million. The additional \$1.5 million collected will go into the permanent oil tax trust fund and will be deposited into the general fund in July 2003 in accordance with HB 2015.

COMPARISON TO PREVIOUS BIENNIUM REVENUES
2001-03 BIENNIUM
April 2003

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	April 2001	April 2003	Variance	Percent	1999-01	2001-03	Variance	Percent
Sales Tax	18,444,889	23,463,419	5,018,530	27.2%	551,934,585	583,435,257	31,500,672	5.7%
Motor Vehicle Excise Tax *	4,000,000	5,142,472	1,142,472	28.6%	101,056,319	108,942,046	7,885,727	7.8%
Individual Income Tax	54,989,766	47,208,177	(7,781,589)	-14.2%	383,212,942	371,800,081	(11,412,861)	-3.0%
Corporate Income Tax	12,758,974	9,895,262	(2,863,712)	-22.4%	84,001,836	77,710,010	(6,291,826)	-7.5%
Insurance Premium Tax	(253,153)	177,720	430,872	-170.2%	34,173,263	42,634,774	8,461,511	24.8%
Financial Insitutions Tax	2,733,243	2,114,023	(619,220)	-22.7%	5,431,386	6,188,851	757,465	13.9%
Oil & Gas Production Tax**		1,272,552	1,272,552	100.0%	38,433,365	41,360,334	2,926,969	7.6%
Gaming Tax	902,958	1,178,533	275,575	30.5%	24,181,762	25,073,526	891,764	3.7%
Interest Income	995,461	47,166	(948,295)	-95.3%	17,013,353	6,656,409	(10,356,944)	-60.9%
Oil Extraction Tax**		1,363,343	1,363,343	100.0%	23,566,635	22,143,781	(1,422,854)	-6.0%
Cigarette & Tobacco Tax	1,526,498	1,116,707	(409,792)	-26.8%	38,286,391	36,020,551	(2,265,839)	-5.9%
Departmental Collections	1,195,729	1,160,964	(34,765)	-2.9%	37,699,041	54,416,564	16,717,524	44.3%
Wholesale Liquor Tax	432,313	442,247	9,934	2.3%	9,344,062	10,163,558	819,496	8.8%
Coal Severance Tax	981,201	-	(981,201)	-100.0%	20,594,230	775,794	(19,818,436)	-96.2%
Coal Conversion Tax	1,157,372	2,176,492	1,019,120	88.1%	23,452,117	42,252,456	18,800,338	80.2%
Mineral Leasing Fees	1,636,011	411,007	(1,225,004)	-74.9%	8,947,447	6,106,569	(2,840,879)	-31.8%
Bank of North Dakota-Transfer					35,000,000	45,000,000	10,000,000	28.6%
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer	172,576	170,424		0.0%	1,380,608	1,363,392	(17,216)	-1.2%
Other Transfers	22	322	300	1375.3%	2,142,887	18,818,706	16,675,819	778.2%
Total Revenues and Transfers	101,673,860	97,340,829	(4,333,030)	-4.3%	1,439,852,228	1,500,862,659	61,010,430	4.2%

* Motor Vehicle Excise Tax collections were estimated for the month of April 2001 due to converting to a new computer processing system.

** Oil and gas production and extraction collections totaled \$5.3 million in March 2001 which caused biennium-to-date collections to exceed \$62.0 million. \$2.7 million was reserved for deposit into the permanent oil tax trust fund for the 1999-01 biennium.

Revenue Variances

The following comments are based on the April revenue collections compared to the March 2003 revenue forecast.

Sales tax collections in April exceeded projections by \$172,419 or 0.7 percent, which brings biennium-to-date collections to \$176,415 below biennium-to-date projections.

Motor vehicle excise tax collections exceeded monthly projections by \$502,472 or 10.8 percent. Biennium-to-date collections are now 891,022 or 0.8 percent behind projections.

Individual income tax collections in April fell below the April forecasted amount by \$1.7 million or 3.5 percent. Considering that North Dakota had the highest percentage of the National Guard and Reserves called to active duty, and they are not required to file their income tax returns until several months after they return home, collections for the filing season were very strong.

Corporate income tax collections fell below the monthly projection by \$1.2 million or 10.5 per-

cent, however, the biennium-to-date collections are only \$156,776 or 0.2 percent behind projections.

Oil tax collections reach \$62.0 million cap

During the month of April, oil and gas production tax and oil extraction tax collections combined totaled \$4.1 million. As a result of the April collections, total oil tax collections for the biennium exceed \$62.0 million. According to North Dakota Century Code, any collections exceeding \$62.0 million must be transferred to the permanent oil tax trust fund at the end of the biennium. As a result, this report reflects collections only up to the \$62.0 million cap. The excess of \$1.5 million has been reserved for deposit into the permanent oil tax trust fund.

Additionally, Section 6 of Senate Bill 2015 authorizes the transfer of \$11.9 million from the permanent oil tax trust fund to the general fund during the 2003-05 biennium.

